

## Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 L-03

TRSY-02 FRB-03 OMB-01 TAR-01 SP-02 AGR-05 AID-05

CIAE-00 COME-00 INR-07 IO-10 LAB-04 NSAE-00 OIC-02

SIL-01 STR-04 CIEP-01 CEA-01 /101 W

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R 221832Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4093

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BONN

AMEMBASSY BELGRADE

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LAGOS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY YAOUNDE

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJECT: COCOA: PRICE DISCUSSIONS FOR NEW AGREEMENTS

REF: LONDON 12779

1. BEGIN SUMMARY. CONSUMER MEETINGS HELD TOWARDS THE  
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END OF THE COCOA COUNCIL SESSION FOCUSSED ATTENTION ON

THE KEY PRICE ISSUE. SINCE PRODUCERS FAILED TO EXPRESS THEMSELVES ON THIS IMPORTANT ISSUE CONSUMERS SOUGHT INFORMALLY TO DRAW THEM OUT ON WHAT THEY MIGHT SEEK AT THE GENEVA NEGOTIATIONS. THE RESULTING CONSUMER INTERCHANGE RAISED SOME INTERESTING POINTS. THE GREAT MAJORITY OF CONSUMERS APPEAR TO PREFER WRITING PRICES INTO THE NEXT AGREEMENT, BUT SUPPORT FOR A WIDER PRICE RANGE APPEARS GENERAL. CONSUMERS GENERALLY MENTIONED THE NEED FOR REALISTIC REPEAT REALISTIC PRICES IN AN AGREEMENT TO MAKE IT OF BENEFIT TO BOTH CONSUMERS AND PRODUCERS AND TO MAKE THE AGREEMENT A WORKABLE AND USEFUL INSTRUMENT, BUT PRICE EXPECTATIONS ON THE PART OF EXPORTERS AND THOSE OF IMPORTERS ARE PROBABLY STILL FAR APART. END SUMMARY.

2. TOWARD THE END OF THE COUNCIL SESSION THE PRICE ISSUE, UPPERMOST IN EVERY CONSUMER'S MIND, FINALLY SURFACED IN TWO CONSUMER GROUP SESSIONS. THIS FOLLOWED INFORMAL DISCUSSIONS BETWEEN CONSUMERS AND PRODUCERS. THE U.S. DEL TRIED TO DRAW OUT INFORMATION ON THESE POINTS FROM BOTH IMPORTERS AND EXPORTERS. DELEGATES FROM FRANCE, THE FRG, THE UK AND THE IVORY COAST PROVED FORTHCOMING ON THE PRICE ISSUE.

3. FRENCH THINKING (OBVIOUSLY TAKING ACCOUNT OF IVORIAN INTERESTS) CURRENTLY FOCUSSSES ON A RANGE OF 38 TO 52 CENTS PER POUND, WITH A RANGE OF 42 TO 47 CENTS FOR THE FREE REIGN OF THE MARKET. QUOTAS WOULD BE 100 PERCENT AT 42 AND 47 CENTS, 95 PERCENT AT 40 CENTS, 90 PERCENT AT 38 CENTS, 100 PERCENT AT 50 CENTS AND UNLIMITED AT 52 CENTS.

4. THE US DEL WAS APPROACHED BY IVORY COAST REPRESENTATIVE GEORGE N'DIA ON INSTRUCTIONS FROM ABIDJAN. HE STATED THAT THE IVORY COAST IS NOT HAPPY WITH THE PRICE PROVISIONS IN THE PRESENT AGREEMENT. HE SEES THE ALTERNATIVES AS EITHER A) A SUBSTANTIAL RAISING OF THE PRICE BRACKETS OR B) REMOVAL OF THE PRICE BRACKETS FROM THE AGREEMENT, ONLY LEAVING A REFERENCE PRICE, SUBJECT TO PERIODIC REVIEW AND REVISION. BRACKET SETTING WOULD BE LIMITED OFFICIAL USE

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LEFT TO THE COUNCIL AS IN COFFEE. N'DIA CLAIMED IT COST 51 CENTS PER POUND TO DELIVER COCOA ON AN F.O.B. BASIS IN THE IVORY COAST, ESPECIALLY CONSIDERING THAT ROUGHLY 37 CENTS PER POUND IS NOW PAID FARMERS, AND THAT INCREASED PRODUCTION IS DEPENDENT ON FARMERS CONTINUING TO RECEIVE THESE HIGHER PRICES. IN A SEPARATE CONVERSATION N'DIA MENTIONED THE 38-51 CENT PRICE RANGE BROUGHT FORTH BY FRANCE.

5. THE QUESTION OF REMOVING A MAJORITY OF THE PRICE PROVISIONS FROM THE AGREEMENT AND PLACING THEM IN RULES AND REGULATIONS OF THE COUNCIL AND BUFFER STOCK WAS COMPLETELY VETTED IN THE LAST CONSUMER MEETING. A LONG LIST OF CONSUMERS, INCLUDING THE GDR, DENMARK, USSR, YUGOSLAVIA, AUSTRIA, JAPAN, FRG, NETHERLANDS, UK AND BELGIUM SPOKE IN STRONG SUPPORT OF WRITING PRICES INTO THE AGREEMENT. MOST DELEGATES NOTED THAT THEY WERE SPEAKING IN PERSONAL TERMS FOR THE MOMENT. THE U.K. POINTED OUT THE GHANAIAAN ATTITUDE THAT PRICES IN THE AGREEMENT WERE A BANKABLE RESOURCE IN OBTAINING LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS. (NOTE: THE POLITICAL LINK BETWEEN THE UK POSITION AND GHANAIAAN DESIRES SURFACES HERE.) MOST

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SPEAKERS (ESPECIALLY THE GDR, FRG, AND UK) SPOKE NEGATIVELY OF THE COFFEE EXPERIENCE IN ALLOWING THE COUNCIL TO DETERMINE PRICES THROUGH ALL NIGHT NEGOTIATION AT THE END OF THE QUOTA YEAR. THE USSR POINTED OUT THAT THE PRICE WOULD PROBABLY ONLY BE NEGOTIATED UP AND NEVER MOVE IN FAVOR OF CONSUMERS. JAPAN POINTED OUT THAT PRICES COULD BE JUST AS WELL DETERMINED AT THE GENEVA LIMITED OFFICIAL USE

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NEGOTIATING CONFERENCE AS AT COUNCIL SESSIONS, BUT SUGGESTED THE DETERMINATION BE FIRM ONLY FOR THE FIRST YEAR OF THE AGREEMENT. A GENERAL DESIRE FOR MORE SCOPE IN THE AGREEMENT TO ADJUST PRICES WAS EVIDENT HOWEVER.

6. CONCERNING PRODUCER ATTITUDES TOWARD SPECIFYING PRICE RANGES IN THE AGREEMENT, AGAMA (GHANA), THE PRODUCER SPOKESMAN TOLD CUTLER (UK), THE CONSUMER SPOKESMAN, THAT THE REMOVAL OF PRICES FROM THE AGREEMENT WAS CERTAINLY NOT THE GENERAL WISH OF PRODUCERS, AND THAT THERE IS YET NO GENERAL CONSENSUS AMONG PRODUCERS ON WHAT PRICES SHOULD BE WRITTEN INTO THE AGREEMENT. HE SUGGESTED A SMALL WORKING GROUP OF PRODUCERS AND IMPORTERS, BUT THIS WAS REJECTED BY CONSUMERS.

7. YUGOSLAV DELEGATE PUT FORWARD AN INTERESTING IDEA WHICH WOULD ALLOW THE COUNCIL TO ADJUST THE PRICE RANGE PERHAPS 10 PERCENT ABOVE AND 10 PERCENT BELOW THE RANGE STIPULATED IN THE AGREEMENT. THE COUNCIL ACTION WOULD ONLY BE TAKEN IN RESPONSE TO SEVERE PRICE FLUCTUATION.

8. THE EASTERN BLOC MEMBERS, SUPPORTED BY MOST OTHERS, MADE PLAIN THEIR DESIRE TO STABILIZE THE PRICE, INFLUENCE THE MARKET MORE THAN HAS BEEN DONE THUS FAR, AND MAINTAIN AS LOW A PRICE RANGE AS POSSIBLE. U.S. AND SWISS ALTERNATE ALONE SPOKE FOR FLEXIBLE SYSTEM WITH BRACKET FIXING BY THE COUNCIL.

9. FRANCE (GALLOT) POINTED OUT THAT HE GOT THE IMPRESSION FROM AGAMA (GHANA) THAT THE GHANAIS WERE WILLING TO ACCEPT A SIGNIFICANTLY LOWER PRICE RANGE THAN THE OTHER PRODUCERS IN RETURN FOR HAVING THE PRICES CARE-

FULLY STIPULATED IN THE AGREEMENT. GALLOT SAID QUOTE  
GHANA IS ISOLATED IN BEING WILLING TO ACCEPT A LOWER  
RANGE THAN THE OTHERS UNQUOTE. HE STATED THAT FRANCE  
WANTS REALISTIC PRICES IN THE AGREEMENT, THOSE WHICH  
COVER PRODUCTION COSTS.

10. PRODUCER SILENCE ON PRICES, EVEN IF IT IS NOT IN  
THEIR INTEREST TO ALLOW CONSUMERS TO ENTER THE NEGOTIA-  
TIONS WITHOUT AN IDEA ON WHAT PRODUCERS WANT ON PRICES,  
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SEEMS TO BAFFLE MOST IMPORTERS. RUMORS THAT BRAZIL WOULD  
SEEK A VERY HIGH LEVEL (E.G. 50-59 CENTS) CIRCULATED,  
WITH GALLOT MENTIONING THAT THE IVORY COAST WOULD SEEK  
A MID POINT AT 45 CENTS. THE UK MENTIONED THE NIGERIANS  
WOULD SEEK A 48 CENT MID POINT. SERQUIN (BELGIUM)  
MENTIONED HE THOUGHT IT LOGICAL FOR PRODUCERS TO MAKE A  
PRICE REQUEST AND CONSUMERS TO RESPOND. HE MENTIONED  
THAT REAL REPEAT REAL PRODUCER ASPIRATIONS MUST COME  
FORTH IN FIRST WEEK OF CONFERENCE IF WE ARE TO HAVE ANY  
CHANCE FOR SUCCESS.

11. THE HARD LINE CONSUMER MEMBERS ON PRICE APPARENTLY  
INCLUDE THE FRG, UK AND PROBABLY USSR AND EASTERN BLOC  
COUNTRIES. THE FRG IN PARTICULAR REITERATED

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R 221832Z AUG 75  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 4095  
INFO AMEMBASSY ABIDJAN  
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ON NUMEROUS OCCASIONS THAT THERE BE NO PRICE INCREASE  
AT ALL. THE FRG DEL LACHE SAID CONSUMERS CAN NOT EXPECT  
ANYTHING GOOD ON PRICES. IN PRIVATE CONVERSATION THE  
FRG DELEGATE SAID HE EXPECTED EC (READ FRENCH, BELGIAN  
AND NETHERLANDS) PRESSURE WOULD RESULT IN THE FRG HAVING  
TO GO ALONG WITH SOME PRICE RANGE INCREASE IN THE END.

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12. SEVERAL CONSUMERS ALLUDED TO THE POSSIBILITY OF THE  
CONFERENCE NOT ACHIEVING AGREEMENT ON PRICE, RESULTING  
IN A ONE YEAR EXTENSION OF THE CURRENT AGREEMENT TO ALLOW  
TIME TO NEGOTIATE AT A SECOND SESSION. IF PRODUCERS DE-  
MAND A SIGNIFICANTLY DIFFERENT TYPE OF AGREEMENT AT LEAST  
SOME CONSUMERS SEEM TO SEE A POSSIBILITY OF AN EXTENSION  
FOLLOWED BY FURTHER NEGOTIATION.

13. THIRD HAND INFORMATION INDICATES THE BRAZILIANS MAY  
BE PUSHING THE AFRICANS TO DEMAND INDEXATION IN A COCOA  
AGREEMENT, BUT THIS SUBJECT DID NOT ARISE AT ALL DURING  
THE PREPCOM MEETINGS OR THE COUNCIL SESSIONS. AT THIS  
STAGE IT APPEARS A DEAD ISSUE.

14. IN AN ASIDE TO THE USDEL N'DIA OF THE IVORY COAST  
MENTIONED THAT PRODUCERS NOW HAD SUFFICIENT CAPITAL IN  
THE BUFFER STOCK FUND TO RUN THEIR OWN COCOA AGREEMENT

WITHOUT CONSUMERS IF IT CAME TO A POINT WHERE NO AGREE-  
MENT COULD BE REACHED ON PRICE AND THE PRODUCERS WERE  
FORCED TO GO IT ALONE.

RICHARDSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 22 AUG 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** RowellE0  
**Disposition Case Number:** n/a  
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**To:** STATE  
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